The Water Utility Enterprise

Final - June 1975

Santa Clara Valley Water District

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This is the fourth annual report on the status of the Santa Clara Valley Water District's Water Utility Enterprise. It has been prepared in accordance with Section 26.5 of the District Act. The purpose of the report is to provide current information on the following items:

- Present and future Water Requirements of Santa Clara County.
- Present and future Water Supply available to meet those requirements.
- Future Capital Improvement needs.
- A financial analysis of the Water Utility Enterprise.
- Future financial needs of the Water Utility Enterprise including expenditures and a means of financing these costs.

he District Act also requires that this report contain:

- A recommendation as to whether or not the Basic User Water Charges should be increased in any Zone or Zones for the ensuing fiscal year.

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June 19, 1975

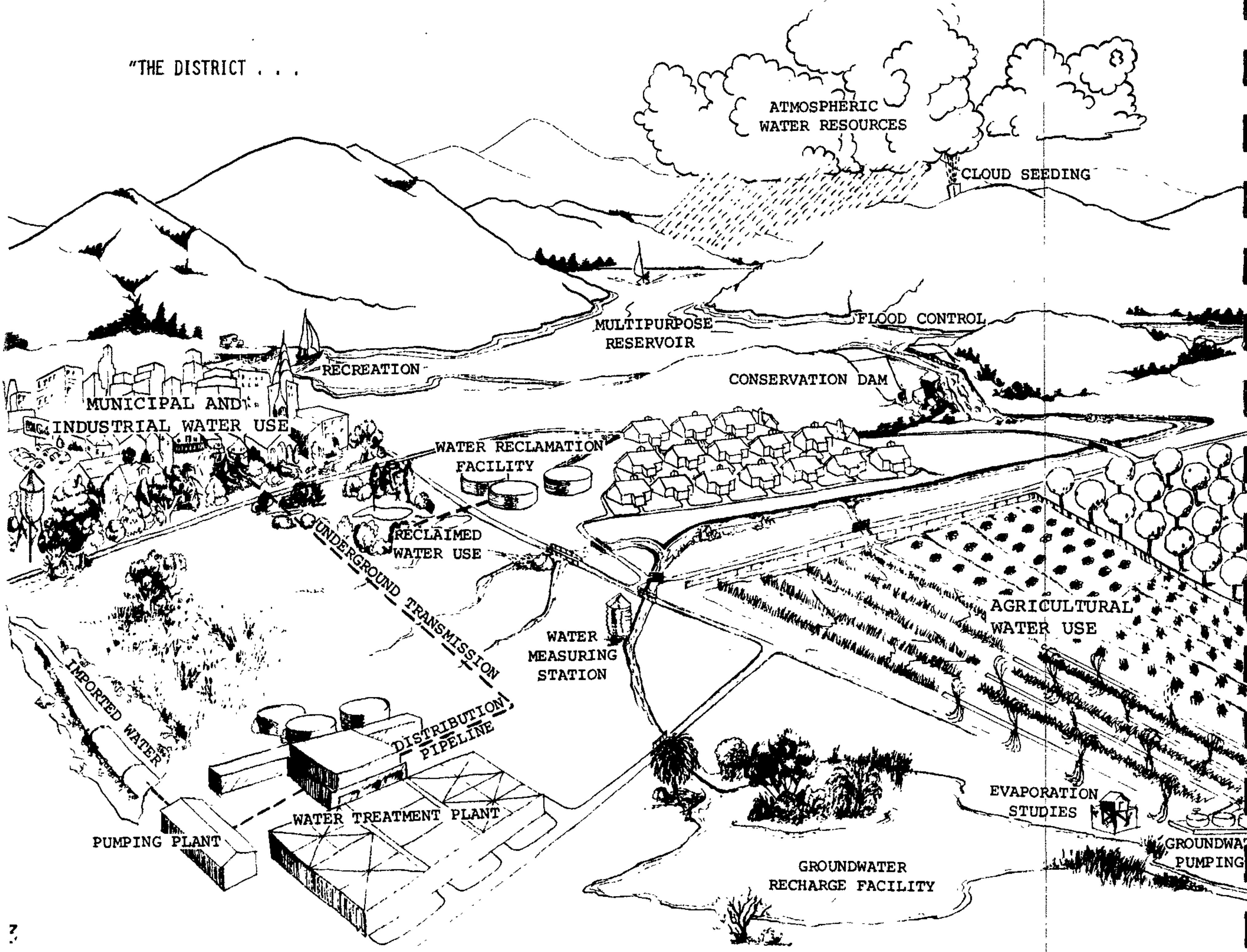
Water is one of the most important resources we have. It affects the very basic elements of our life-styles. Studies have shown that by the end of this decade our present water supplies will not be adequate to maintain the quality of life we presently enjoy in the Santa Clara Valley. Faced with a potential shortage, the District is currently involved in securing an additional source of water from the San Felipe Project. Plans are also underway to begin a water conservation education program to develop a public awareness for water in hopes of reducing wasteful use of this valuable resource.

As described in this report, the expanded construction program required to build the facilities necessary to provide water to an increasing population and the increased costs of operating the District's Water Utility Enterprise will require an increase in the Basic User Charges beginning in Fiscal year 1976-77.

For the next fiscal year, 1975-76, however, it is recommended that the current Water Charge Rates of $8 per acre-foot for agricultural water, and $30 per acre-foot for non-agricultural water within Zones W-2, W-3.1, W-3.2, and W-3.3 be continued.

John T O'Halloran
John T. O'Halloran
General Manager

"THE DISTRICT . . .



...WAS FORMED TO PROVIDE ... WATER,"

The District was formed to provide Santa Clara County with an adequate supply of water. To achieve this end, it has undertaken many activities to meet the following objectives:

- To manage the groundwater basins effectively and in an environmentally sound manner.
- To conserve local supplies of water through effective operation of reservoirs and percolation ponds.
- To plan for alternative supplemental water supplies.
- To preserve and protect watersheds.
- To adopt and administer an equitable, fair pricing policy.
- To set water rates and tax rates which will provide a balanced cash flow while maintaining a reasonable, safe operating reserve.
- To perform all activities in an efficient, effective manner.

THE WATER PICTURE ... WATER USE ...

Water uses have been categorized in the County as either agricultural or municipal and industrial. These uses have been further defined by the type of delivery just prior to use, namely groundwater, raw surface water, district treated water, or imported treated water. These water uses have been recorded in the North County since 1964 and are shown in the table to the right for the period 1964-74.

Water needs in North Santa Clara County are projected to continue to increase at about 4,800 acre-feet per year through 1995, with the increases thereafter gradually tapering off. The estimated total demand is expected to reach 420,000 acre-feet per year in 2020 as the municipal and industrial requirements continue to increase and the agricultural use of both groundwater and surface water decrease.

Water uses in South Santa Clara County, the area south of Metcalf Road, have been primarily agricultural and, until recently, have been met by available local supplies, primarily from groundwater pumping. Since a formalized metering program has not yet been established in the South County, all information regarding water use has been approximated from groundwater basin studies.

Future water needs in South Santa Clara County are projected to increase at a variable rate until the year 2000 when it is anticipated that the agricultural requirements will begin to decrease and municipal and industrial requirements begin to increase. The total water demand is expected to level off at about 125,000 acre-feet per year by 2020.

RECORDED NORTH SANTA CLARA COUNTY WATER USE[1]

	Municipal and Industrial Water Use					Agricultural Water Use			
Fiscal Year	Ground-Water	Treatment Plant Deliveries	Hetch-Hetchy Aqueduct	Other[2] Surface Water	Total Municipal and Industrial Use	Ground-Water	Surface Water	Total Agricultural Use	Total Water Use
1964-65	119,618	--	29,536	12,991	162,145	37,935	5,593	43,528	205,673
1965-66	130,786	--	33,572	12,434	176,792	38,463	11,597	50,060	226,852
1966-67	127,550	--	35,784	12,795	176,129	28,863	3,447	32,310	208,439
1967-68	138,285	7,834	39,902	13,863	199,904	35,470	9,115	44,585	244,489
1968-69	135,058	11,208	41,675	12,881	200,822	28,501	8,305	36,806	237,628
1969-70	125,099	39,157	48,349	16,647	229,252	29,312	4,889	34,201	263,453
1970-71	124,254	44,452	45,207	14,035	227,948	23,691	4,428	28,119	256,067
1971-72	142,180	48,837	49,877	10,214	251,108	24,018	4,796	28,814	279,922
1972-73	137,796	44,992	48,890	16,167	247,845	17,458	4,247	21,705	269,550
1973-74	128,997	45,478	52,187	22,168	248,830	15,864	3,039	18,903	267,733

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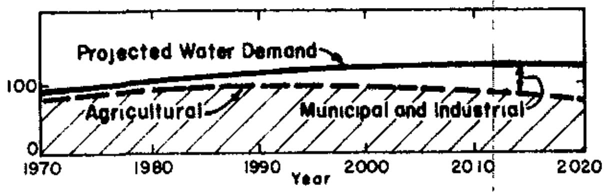
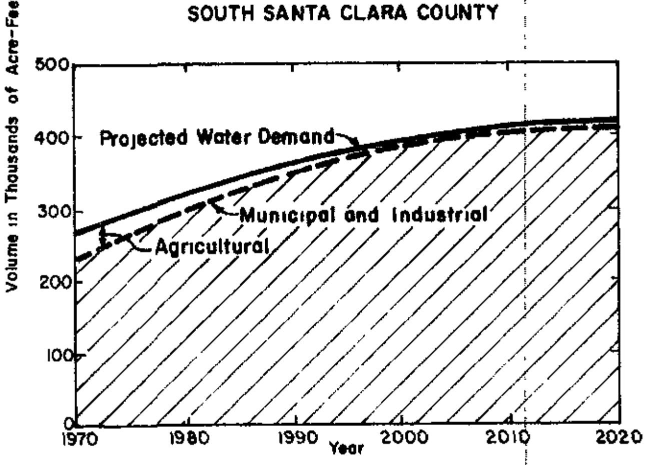
[1] All values are expressed in acre-feet. One acre-foot equals 326,000 gallons.

[2] Consists of water stored and treated by San Jose Water Works and untreated water delivered by District.



SOUTH SANTA CLARA COUNTY



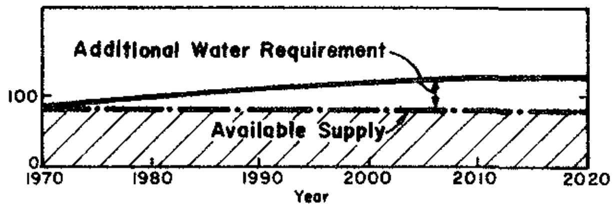
NORTH SANTA CLARA COUNTY

HISTORICAL WATER SUPPLIES IN NORTH SANTA CLARA COUNTY

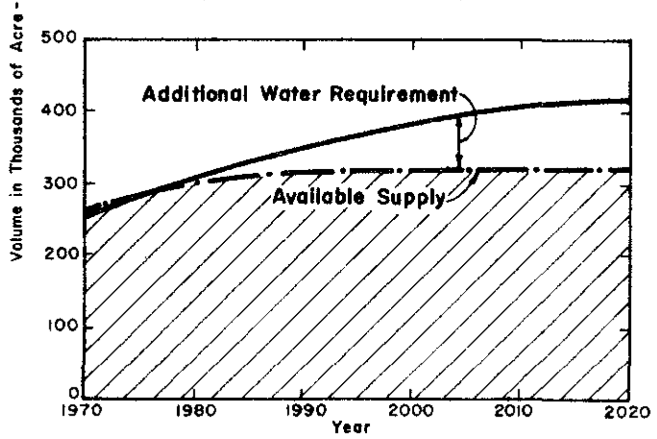
Fiscal Year	Locally 1/ Conserved Water	Hetch Hetchy Aqueduct Deliveries	South Bay Aqueduct Deliveries	2/ Net Supply
1964-65	167,342	29,536	495	197,373
1965-66	68,127	33,572	23,353	125,052
1966-67	343,989	35,784	31,766	411,539
1967-68	191,887	39,902	63,000	294,789
1968-69	180,892	41,675	57,661	280,228
1969-70	106,471	47,203	77,234	230,908
1970-71	97,232	45,228	88,488	230,948
1971-72	140,509	49,744	92,150	282,403
1972-73	250,576	48,890	92,584	392,050
1973-74	199,081	52,187	86,565	337,833

1/ Water conserved in surface reservoirs and groundwater basin the average annual yield under present conditions is 165,000 acre-feet

2 Net supply excludes all water losses.



SOUTH SANTA CLARA COUNTY



NORTH SANTA CLARA COUNTY

Present water supplies in North Santa Clara County consist of natural groundwater, locally conserved water, and water imported from the Hetch Hetchy and South Bay Aqueducts. The supplies that have been available in North Santa Clara County are listed in the table to the left for the period 1964-74.

The present sources of water supply in North Santa Clara County are projected to increase to an average annual amount of 322,000 acre-feet by 2020, through an increase in the imported supply of 12,000 acre-feet per year from the South Bay Aqueduct and 14,000 acre-feet per year from the Hetch Hetchy Aqueduct.

In South Santa Clara County, present water supplies amount to an average annual amount of about 79,000 acre-feet per year, consisting of naturally recharged groundwater and existing surface water reservoir yield. This is not expected to change.

On a countywide basis and under average conditions, projected water needs are expected to exceed present supplies around 1978-79. To meet the supplemental needs, the District's Board of Directors has chosen the San Felipe Project as the most economic and viable source of additional water. This was done after an extensive evaluation of alternative sources including wastewater reclamation and the development of additional local conservation reservoirs.

IN-COUNTY WATER DISTRIBUTION SYSTEM . . .

To continue to meet the water needs of the County, the District's present In-County Water Distribution System must be maintained, improved and expanded.

A study of the System requirements has recently been conducted and the results published in a report entitled, Master Plan, Expansion of In-County Water Distribution System, dated December 1974. This report, which concludes that supplemental water be supplied by the San Felipe Project, outlines the expansion needs of the District's Water Utility Enterprise through the year 2000. New facilities are proposed in both the North and South Santa Clara County to distribute imported water from the San Felipe Project, expand groundwater recharge activities, and extend treated water service to those areas of the County where groundwater recharge will be insufficient to supply the needs.

A construction schedule of those additional in-county facilities that are planned through 1980-81 to deliver San Felipe water is shown in the table to the right. The schedule includes the estimated cost of the necessary planning, design, and construction of the proposed facilities, escalated to the year of construction. It also identifies the expected source of revenue to finance each facility. These facilities proposed through 1980-81 together with existing facilities and facilities planned for construction after 1980-81 are located on the map on the opposite page.

CONSTRUCTION COSTS [1]

Project	Type of Financing	74-75	75-76	76-77	77-78	78-79	79-80	80-81
Santa Teresa Pipeline	Bond				409	3935	4153	
Milpitas Pipeline (Morril Alignment)	Operating Reserve					100	1690	
Mountain View Distributary	Operating Reserve					72	312	
Coyote Force Main	Bond				111	627	676	
Half Road Conduit	Operating Reserve	50				128	343	
Hetch Hetchy Connection	Operating Reserve					93	513	
East Pipeline Extension	Bond [2]		61	557	588			
Coyote Water Tr. Plant	Bond				564	4530	4632	
Penit. Tr. Plant Expansion	Bond						135	2328
Penit. Tr. Plant Clear Well	Bond [2]	335						
East Reservoir	Bond [2]	20	135	953	1010			
Perc. Pond #10 near Los Gatos	Bond			635			629	
Perc. Pond #17 (West Coyote)	Bond			266			1081	
Uvas Recharge Facility (#22)	Bond			439			4854	
Palo Alto Reclamation Plant	Federal Funds and Operating Reserve	217	2682	1341				
Emergency Water Supply - Lexington	Operating Reserve		800					
Cooperative Programs and Purchase of Hazardous Areas	Operating Reserve		174	150	150	150	150	

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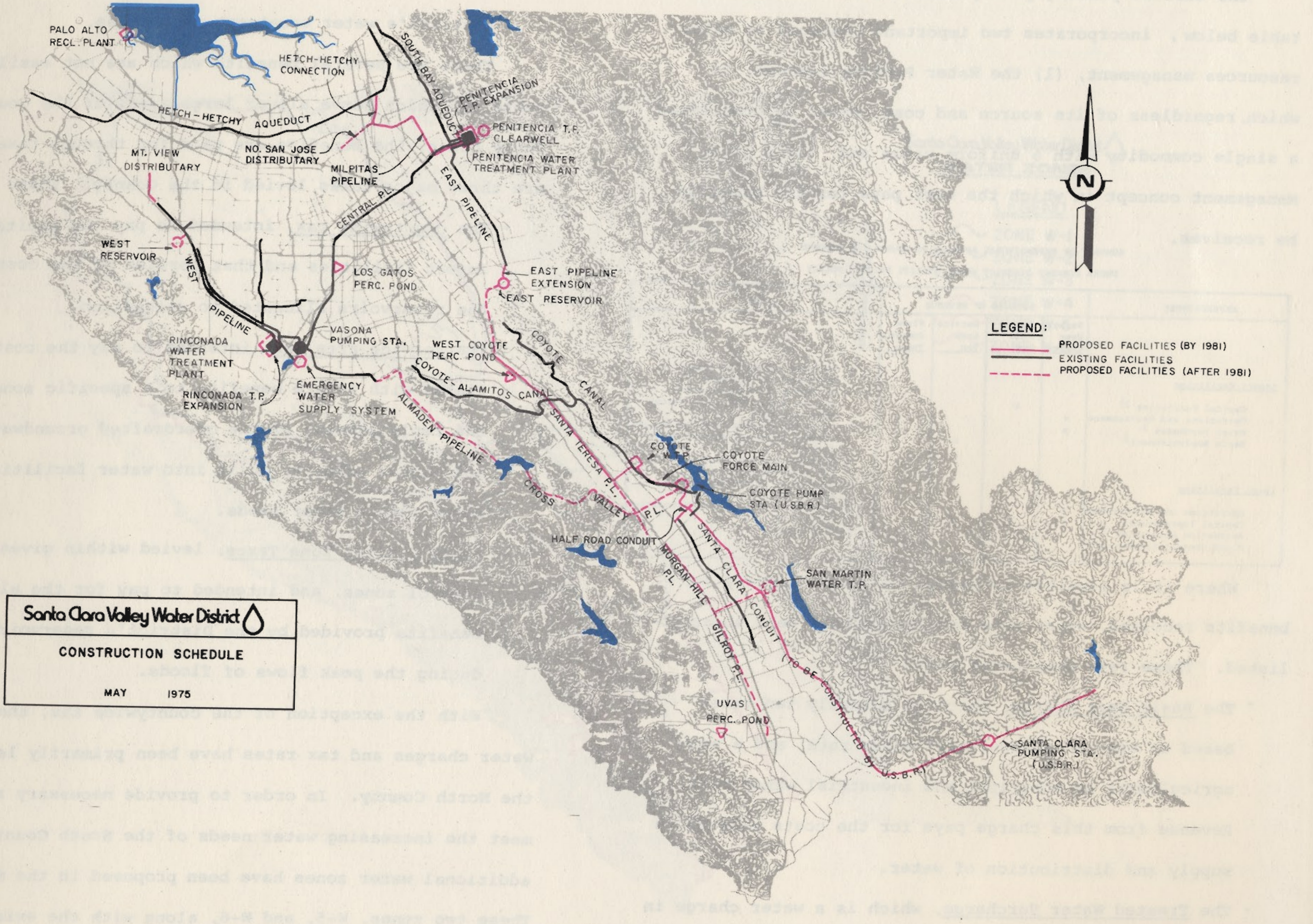
[1] In thousands of dollars and escalated to year of construction

[2] From existing or future bonds



Santa Clara Valley Water District

CONSTRUCTION SCHEDULE

MAY 1975

THE PRICING POLICY . . .

The current pricing policy which is outlined in the table below, incorporates two important concepts in water resources management, (1) the Water Pooling concept, in which, regardless of its source and cost, water is considered a single commodity with a uniform value and, (2) a Water Management concept in which the user pays for the benefits he receives.

SUMMARY OF EXPENDITURES APPLIED TO SOURCES OF REVENUE

UNDER CURRENT DISTRICT WATER UTILITY PRICINC POLICY

EXPENDITURES	SOURCES OF REVENUE				NOTES
	Basic User Charge	County-Wide Tax	Service Area Tax	Flood Control Taxes	
Import Facilities					1) Includes capital payments for South Bay Aqueduct, San Felipe Project (Future), and Tax Rebate for Hetch Hetchy water users. 2) South Bay Aqueduct and San Felipe Project (Future) Imported Water Charges. 3) Includes Delta Water Charge and Variable O&M costs only. 4) Limited to allocated cost of excess capacity. 5) Reservoirs and certain percolation facilities. 6. Reservoirs.
Capital Facilities 1)	-	x			
Operations and Maintenance	x				
Water Purchases 2)	x				
Basin Replenishment 3)			x		
Local Facilities					
Operations and Maintenance	x				
Capital Improvements	x		x 4)		
Recreation Allocation 5)		x			
Flood Control Allocation 6)				x	

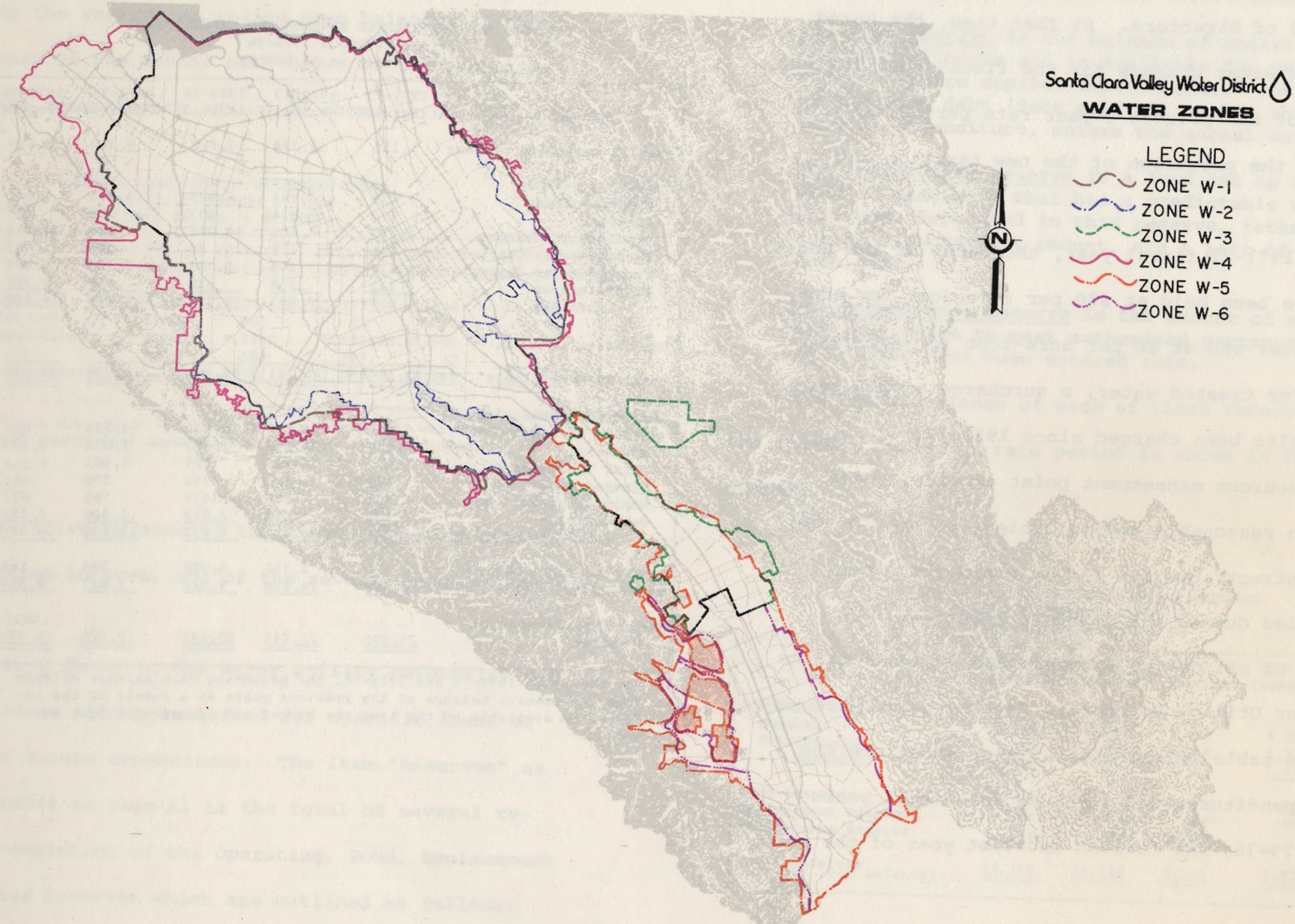
Where it is possible to charge the user directly for benefits received, water rate components have been so established. These rate components are:

- The Basic User Charge, which is actually two rates based on use - an agricultural water rate, and a non-agricultural or municipal and industrial water rate. Revenue from this charge pays for the costs related to supply and distribution of water.
- The Treated Water Surcharge, which is a water charge in addition to the M&I rate of the Basic User Charge, and is paid by any agency which receives water from any of the District's water treatment facilities.

There are several benefits which are not easily separable and which serve all or large areas of the County. In these cases, the benefits are paid for through taxes. There are three major taxes levied in the County. These include:

- The countywide tax, intended to pay the capital cost of import facilities and that portion of the costs of the reservoirs allocated to recreation.
- The service area tax, intended to pay the costs associated with future benefits to a specific zone, such as the replenishment of the overdrafted groundwater basin and excess capacity built into water facilities to serve future water needs.
- Flood Control Zone Taxes, levied within given flood control zones, and intended to pay for the allocated benefits provided by the District's reservoirs in reducing the peak flows of floods.

With the exception of the countywide tax, the above water charges and tax rates have been primarily levied in the North County. In order to provide necessary revenue to meet the increasing water needs of the South County, two additional water zones have been proposed in the South County. These two zones, W-5, and W-6, along with the existing water zones are shown on the map on the next page.


Santa Clara Valley Water District
WATER ZONES
LEGEND
ZONE W-1
ZONE W-2
ZONE W-3
ZONE W-4
ZONE W-5
ZONE W-6
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THE FINANCIAL PICTURE . . .

On April 7, 1971, after being reviewed and recommended by the Santa Clara County Water Commission, the Pricing Policy previously described was adopted by the District's Board of Directors. At that time, the Board also established water charges for the fiscal year 1971-72, the first year of the present 5-year rate period, in accordance with the provision of the new taxation and pricing policy.

Since the 1971-72 fiscal year, the rates of the Basic User Charge have been held at $30 per acre-foot for non-agricultural water and at $8 per acre-foot for agricultural water. For treated water, a surcharge of $35 per acre-foot has also been charged since 1971-72.

From a resources management point of view, these rates have been reasonable and sufficient to provide the revenue to construct, operate and maintain the water supply facilities during the first rate period.

A summary of all of the revenues and expenses of the District's Water Utility Enterprise for the past three years is shown in the table on the right. Also shown are the anticipated expenditures and revenues for fiscal years 1974-75 and 1975-76, the current and last year of the rate period.

ACTUAL AND ANTICIPATED REVENUE AND EXPENDITURES
1971-72 THROUGH 1975-76
(All Values in $1,000's)

	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Actual)	1974-75 (Budgeted)	1975-76 (Projected)
Cash at Beginning of Year	5,115	14,348	14,218	8,360*	9,639*
Operating Revenue					
Property Taxes	2,425	2,765	2,979	3,243	3,542
Interest	324	814	883	702	497
Groundwater Charges	4,010	4,465	4,243	4,186	4,016
Surface Water Charges	124	126	95	105	93
Treated Water Charges	2,614	2,565	2,703	3,180	3,865
Miscellaneous	132	158	220	50	2,387
Subtotal	9,629	10,893	11,123	11,466	14,400
Bond Sales	8,852	0	0	0	0
Total Cash Available	23,596	25,241	25,341	19,826	24,039
Operating Expenditures					
Source of Supply	3,639	4,179	4,009	4,521	7,892
Raw Water	1,166	1,255	1,620	1,854	3,139
Water Treatment	971	935	925	1,662	2,058
Treated Water	452	229	292	298	575
Administrative & Gen.	531	505	473	765	821
Debt Service	2,489	2,168	2,512	2,506	2,511
Subtotal	9,248	9,271	9,831	11,606	16,996
Bond Fund Disbursements	0	1,752	5,996	393	149
Reserves (Yr. End Balance)	14,348	14,218	9,514	7,827	6,894
Total Expenditures and Reserves	23,596	25,241	25,341	19,826	24,039

* For the years 1974-75 and 1975-76, the beginning cash balance differs from the reserve balance of the previous years as a result of the information available at the time the budget and requested budget were made.

The financial analysis of the Water Utility Enterprise can be viewed as having two main elements. The first element consists of those funds required for the annual operations of the enterprise and the second element consists of those funds that make up the reserve or ending cash balance.

A summary of the annual cash flows of the operating funds for the current rate period is shown in the table below.

ANNUAL CASH FLOW OF OPERATING FUNDS
1971-72 THROUGH 1975-76
(All Values in $1,000's)

	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Actual)	1974-75 (Budgeted)	1975-76 (Projected)
Operating Revenue (+)	9,629	10,893	11,123	11,466	14,400
Disencumbrances (+)*	369	601	38	0	0
Operating Expenditures (-)	9,248	9,271	9,831	11,606	17,145
Encumbrances (-)	728	182	267	0	0
Annual Surplus/Deficit	22	2,041	1,063	(-)140	(-)2,745

* Discencumbrances are monies which had been put aside but which were not needed to meet contractual agreements after they were concluded.

The cumulative balance of the "Annual Surplus/Deficit" is the Operating Reserve, one of the several reserve funds discussed below.

The reserve funds in the Water Utility Enterprise can be categorized as either earmarked for specific items or available for future expenditure. The item "Reserves" as used in the table on page 11 is the total of several reserve funds consisting of the Operating, Bond, Replacement and Encumbrance reserves which are outlined as follows:

- The Operating Reserve is the amount of funds remaining after all expenditure obligations have been met or allowed for. The Operating Reserve is made up of two sub-reserves, the Contingency Reserve, which is an amount set aside to meet any unforeseen financial needs that may arise, and the General Reserve which is the amount of funds available for future financial needs.
- The Bond Reserve is the balance of monies received from the sale of bonds and is available for expenditure on certain future capital improvements. The repayment of the bond debt (debt service), rather than the initial capital expenditure, enters the annual cash flow.
- The Replacement Reserve is a fund set up for replacement of machinery that has a predictable usefulness. The funds deposited in this reserve, rather than the actual disbursement amount, are a part of the annual cash flow.
- The Encumbrance Reserve is the amount of money that has been set aside to meet authorized contractual agreements that have been entered into.

The annual balance of each of these reserve funds for the current five-year rate period is shown in the following summary.

DETAIL OF ACTUAL AND ANTICIPATED RESERVES
1971-72 THROUGH 1975-76
(All Values in $1,000's)

	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Actual)	1974-75 (Budgeted)	1975-76 (Projected)
Operating Reserve					
General	3,205	3,542	3,788	4,114	3,394
Contingency	195	1,899	1,974	1,318	1,115
Subtotal	3,400	5,441	5,762	5,432	4,509
Bond Reserve	9,823	2,100	2,076	1,734	1,585
Replacement Reserve	397	524	664	660	800
Encumbrance Reserve	728	6,153	1,012	0	0
Total Reserves (Yr. end balance)	14,348	14,218	9,514	7,826	6,894

A DETAILED FINANCIAL ANALYSIS . . .

The recommendation of rates for the ensuing fiscal year is partly based on a detailed financial analysis of the Water Utility Enterprise. The objective of this analysis is to determine if the revenue generated from current rates established in accordance with the pricing policy is sufficient to meet the expenditures allocated to that source of revenue for the upcoming year.

The summary of revenues and expenditures used in the analysis for 1975-76 is shown in the table on the next page. A double format has been used in this table to help identify the relationship that exists between the pricing policy categories and the generalized or budget categories. The allocation of finances according to the pricing policy is shown to the right, while the generalized summary allocation, similar to that used in the 5-year summary table, is correspondingly shown to the left. Notice that, although the allocations vary between the two sets of values, the totals are the same.

Some specific points about the allocations of finances and results of the detailed financial analysis are as follows:

- Revenues are projected using existing water charge and tax rates.
- Expenditures are based on the requested budget for 1975-76.
- A portion of the Treated Water Surcharge revenue has been applied to the Service Area tax to develop a total revenue equal to the total expenditure in that category. The remainder of the Treated Water Surcharge revenue has been applied to the Basic User charge.
- The allocation of Reservoir Costs is 7% to the Flood Control tax, 14.5% for recreation to the Countywide tax, and 78.5% to the Basic User charge.
- A portion of the debt service payments in the Water Treatment and Treated Water T&D Cost Centers is allocated to the Service Area tax according to the percentage of facility capacity that is unused.
- The Palo Alto Wastewater Reclamation pilot project is anticipated to be constructed in 1975-76. The capital expenditure within this year of $2.7 million is largely offset by grants of $2.3 million for a net cost to the District of approximately $0.4 million.
- Construction of facilities to provide an emergency water supply for Rinconada and Penitencia Water Treatment Plants is anticipated in fiscal year 1975-76. The cost of the project is estimated to be $800,000. This project will be funded from the General Operating Reserve.
- The Basic User revenue is 2.3 million short of meeting the O&M-type expenditures. Funds will be transferred from the General Reserve to meet this deficit.
- The Countywide tax will develop a surplus revenue of $0.75 million. This amount of surplus will be transferred to the general reserve.

In summary, the annual revenue generated from the current water charge and tax rates will not meet the annual expenditures. This condition, however, was planned as part of the five-year rate setting practice. A balanced financial situation is obtained by transferring funds from the operating reserves. With the annual revenues and the reserves, the current rates will be adequate to meet the financial needs for the next fiscal year, 1975-76.

DETAILED FINANCIAL ANALYSIS FOR 1975-76
(ALL VALUES IN $1,000's)

General Summary Allocation				Item	Pricing Policy Allocation				
				REVENUE SUMMARY	Basic User Charge	County-wide Tax	Service Area Tax	Flood Control Taxes	Total
Revenue from Water Charges									
Ground-water	Surface Water	Treated Water	Total						
				Basic User Charge					
116	23	0	139	Agricultural Water	139				139
3,900	70	1,971	5,941	Nonagricultural Water	5,941				5,941
0	0	1,894	1,894	Treated Water Surcharge	1,504		390		1,894
4,016	93	3,865	7,974	SUBTOTAL	7,584	0	390	0	7,974
Tax and Miscellaneous Revenue									
Taxes	Interest	Miscellaneous	Total	Taxes					
2,771			2,771	Countywide		2,771			2,771
670			670	Service Area Tax			670		670
97			97	Zone W-3 Tax	97				97
3			3	CSCVWCD Tax	3				3
36			36	Flood Control Taxes				36	36
	497		497	Interest	497				497
		2,347	2,347	Grant Funds - 87.5% of Reclamation Plant Costs	2,347				2,347
		5	5	Other	5				5
3,577	497	2,352	6,426	SUBTOTAL	2,949	2,771	670	36	6,426
				FUNDS TRANSFERRED FROM RESERVES					
			149	Bond Funds-for Construction	149				149
			986	General Reserve-for Construction	986				986
			1,610	General Reserve-for O&M	2,360	-750			1,610
			2,745	SUBTOTAL	3,495	-750	0	0	2,745
			17,145	TOTAL REVENUE AND FUNDS TRANSFERRED FROM RESERVES	14,028	2,021	1,060	36	17,145
				EXPENDITURE SUMMARY					
Construction Reserves	General	Debt Service	Total	Source of Supply Cost Center					
				Imported Water Costs					
	1,509		1,509	Capital Payments		1,509			1,509
	901		901	Operations and Maintenance	901				901
	619		619	Water Purchases-Consumptive Use	619				619
	371		371	Water Purchases-Basin Replenishment			371		371
	436		436	Hetch Hetchy's Rebate		436			436
	482	39	521	Local Reservoir Costs*	409	76		36	521
2,682			2,682	Capital Costs-Palo Alto Reclamation Plant	2,682				2,682
	892		892	Other	892				892
				Raw Water T&D Cost Center					
	2,488	897	3,385	General	3,385				3,385
800			800	Capital Cost-Emergency Supply Facility	800				800
	2,058	853	2,911	Water Treatment Cost Center	2,677		234		2,911
	575	632	1,207	Treated Water T&D Cost Center	752		455		1,207
	821	90	911	Administration and General Cost Center	911				911
3,482	11,152	2,511	17,145	TOTAL EXPENDITURES	14,028	2,021	1,060	36	17,145

A PROJECTION OF EXPENDITURES . . .

The expenditures for the next five-year rate period are based on maintaining the existing systems and constructing additional facilities according to the construction schedule listed earlier. The construction of capital facilities is anticipated to be financed from revenue bonds. The amortized repayment amounts referred to as debt service rather than the entire capital cost are used in the expenditure projections.

Since the expanded system will serve the South as well as the North Santa Clara County, the expenditures have been separated for the two geographical areas. The costs that have been projected for the South Santa Clara County include only those costs that this District is expected to incur in the South County for its water management programs.

The projected expenditures are shown in the table to the right, with separate allocation for both the North and South Santa Clara County.

PROJECTED OPERATING EXPENDITURES
1976-77 THROUGH 1980-81
(All Values in $1,000's)

	1976-77	1977-78	1978-79	1979-80	1980-81
North Santa Clara County					
Source of Supply					
SBA Water	3,238	3,297	3,327	3,260	3,221
San Felipe Water	0	0	0	0	2,025
Local Facility Costs	1,378	1,295	1,299	1,345	1,361
Raw Water T&D	1,325	1,409	1,515	1,616	1,743
Water Treatment	1,839	1,903	2,085	2,273	2,893
Treated Water T&D	341	355	408	427	464
General & Administration	822	814	874	938	907
Debt Service (Existing Bonds)	2,509	2,510	2,487	2,484	2,490
Debt Service (New Bonds)	450	450	1,810	1,810	1,995
Capital Improvements From Op. Reserves	1,384	0	270	1,616	0
Subtotal	13,286	12,033	14,075	15,769	17,099
South Santa Clara County					
Source of Supply					
San Felipe Water	0	0	0	0	314
Local Facility Costs	52	43	40	38	36
Raw Water T&D	39	42	45	48	51
Water Treatment	0	0	0	0	0
Treated Water T&D	0	0	0	0	0
General & Administration	85	94	116	120	126
Debt Service (Existing Bonds)	3	3	3	1	0
Debt Service (New Bonds)	0	397	525	525	525
Capital Improvements From Op. Reserves	0	0	128	343	0
Subtotal	179	579	857	1,075	1,052
Total for Entire County	13,465	12,612	14,932	16,844	18,151

. . . AND REVENUE . . .

PROJECTED OPERATING REVENUE
1976-77 THROUGH 1980-81
(All Values in $1,000's)

	1976-77	1977-78	1978-79	1979-80	1980-81
North Santa Clara County					
Property Taxes	3,268	3,447	3,637	3,837	4,048
Interest	610	561	1,914	1,555	1,079
Groundwater Sales	5,036	5,171	5,272	5,407	4,871
Surface Water Sales	115	110	105	100	100
Treated Water Sales	3,916	4,107	4,298	4,488	6,052
Other	623	146	152	159	166
Subtotal	13,568	13,542	15,378	15,546	16,316
South Santa Clara County					
Property Taxes	130	144	158	174	191
Interest	0	406	528	485	227
Groundwater Sales	297	303	317	322	356
Surface Water Sales	5	5	5	5	5
Treated Water Sales	0	0	0	0	0
Other	3	3	3	3	3
Subtotal	435	861	1,011	989	782
Total	14,003	14,403	16,389	16,535	17,098

PROJECTED WATER CHARGE RATES
AND WATER PRODUCTION
1976-77 THROUGH 1980-81

Water Charge Rates	1976-77	1977-78	1978-79	1979-80	1980-81
North County					
M&I ($/AF)	33.00	33.00	33.00	33.00	33.00
Ag ($/AF)	8.25	8.25	8.25	8.25	8.25
South County					
M&I ($/AF)	9.00	9.00	9.00	9.00	9.00
Ag ($/AF)	2.25	2.25	2.25	2.25	2.25
Water Production					
North County (1000 Acre-Feet)	234	241	247	250	253
South County (1000 Acre-Feet)	90	93	96	98	101
Total (1000 Acre-Feet)	324	334	343	348	354

. . . FOR THE NEXT RATE PERIOD.

A financial analysis similar to one for 1975-76 was conducted to determine the water rates needed to balance the expenditures for the next five-year rate period. The results of this analysis are summarized in the tables to the left.

In this study an independent analysis of water charge rates was made for both the North and South Santa Clara County. The Countywide tax rate and the North County service area tax (Zone W-4) were kept at their present values, while the ad valorem tax rate in Zone W-3 was set at zero. The basic user water charges were allowed to vary to meet any deficits for both the North and South, and the agricultural water rate was assumed to be one-fourth of the non-agricultural rate.

The projected activity of the operating funds summarizing the expenditures and revenues are shown in the table below.

PROJECTED ACTIVITY OF OPERATING FUNDS
1976-77 THROUGH 1980-81
(All Values in $1,000's)

	1976-77	1977-78	1978-79	1979-80	1980-81
Balance at Beginning of Yr.	4,509	5,047	6,838	8,295	7,986
Operating Revenue (+)	14,003	14,403	16,389	16,535	17,098
Operating Expenditures (-)	13,465	12,612	14,932	16,844	18,151
Annual Surplus/Deficit	538	1,791	1,457	(-) 309	(-) 1,053
Operating Res. at End of Yr.	5,047	6,838	8,295	7,986	6,933
Contingency Reserve	1,261	1,493	1,684	1,815	1,950
General Reserve	3,786	5,345	6,611	6,171	4,983

SUMMARY . . .

In the next five years, water demands in Santa Clara County will begin to exceed the county's total available water supply consisting of locally developed supplies and imported water from the South Bay Aqueduct and the Hetch Hetchy Aqueduct, necessitating the planning and construction of facilities for the importation, treatment and distribution of water from the San Felipe Project.

During the next fiscal year (1975-76), the District's major expenditures in the Water Utility Enterprise will be for the operation and maintenance of existing facilities, and the continuation of the District's present water planning and construction programs. The planning program will consist primarily of seismic investigations of District dams, water quality studies and refinements of the water resources master plan. In the construction program, the major expenditures will be for the Palo Alto Reclamation Plant, an emergency water supply for the existing treatment plants, improvements on the Coyote and Coyote-Alamitos Canals and other raw water facilities, and improvements of the automated control system.

During the next rate period, the District plans to begin a construction program to expand its In-County Distribution System. Major components of this construction program will be a new water treatment and distribution system serving the southeastern part of the North County, extending treated water service to the Mountain View and Milpitas service areas, and the purchase of lands for the development of off-stream groundwater recharge areas in the North and South County.

It is recommended that water charges in all zones of the District for the next fiscal year, 1975-76, remain the same as they have been for the past four years, as shown in the table below.

RECOMMENDED WATER CHARGES
FOR
FISCAL YEAR 1975-76

Basic User Water Charges (Zones W-2, W-3.1, W-3.2, W-3.3)	
Agricultural Water:	$ 8.00/Acre-Foot
Nonagricultural Water (M&I):	$30.00/Acre-Foot
Treated Water Surcharge:	$35.00/Acre-Foot

Santa Clara Valley Water District

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James Lenihan	District 5
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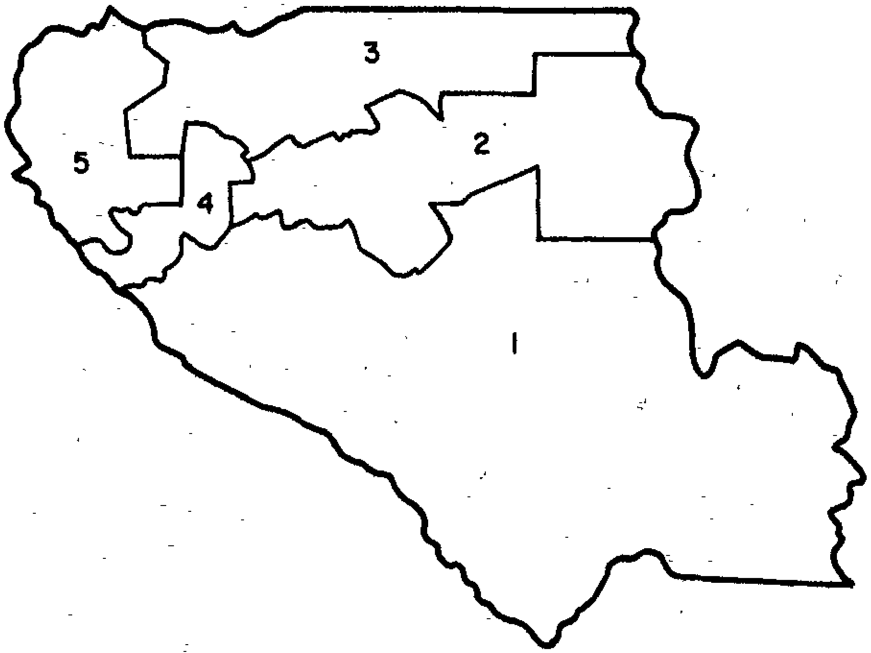

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